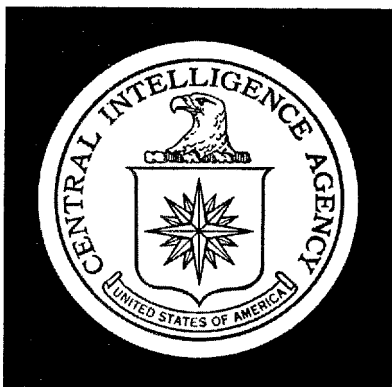


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Department review completed

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17 March 1967
No. 0281/67

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FAR EAST

Sharp disputes evidently continue among top leaders in Peking, even though open conflict and violence in the provinces have been much reduced. Differences may include the precise role of the army in civil affairs, particularly the critical agriculture problem, and the balancing of rival interests in the new administrative machinery based on the three-way alliance of party organization, army, and pro-Mao militants. Posters and parades are again being used to vilify those in disfavor in Peking.

At the same time, Sino-Soviet relations have taken a new turn for the worse. In an unprecedented affront, Peking has expelled two Soviet diplomats for allegedly mistreating Chinese employees, and street demonstrations have again been mounted in front of the embassy, though not on the earlier massive scale. Although this turn of events seems closely related to internal developments, Peking may also be reacting to Moscow's strident propaganda campaign against China.

In South Vietnam, the Constituent Assembly has completed almost all of the draft constitution. The assembly leaders probably will succeed in resolving the remaining differences with the military leaders informally before the draft is formally presented to the Directorate on 27 March.

Indonesians apparently have calmly accepted the congressional decree declaring Sukarno incapable of fulfilling his presidential duties and naming General Suharto as acting president. Suharto's military-dominated government now can focus on the country's massive economic problems.

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VIETNAM

South Vietnam's nine-chapter constitution is nearing completion following the Constituent Assembly's approval of a preamble on 14 March. Although differences with the Military Directorate over some provisions are still being worked out, a final assembly vote on the document as a whole is still expected to take place in the next week or two. Chief of State Thieu has publicly predicted that the constitution will be promulgated by 25 April, and government leaders expect to hold the presidential election by September.

Some of the democratic concepts embodied in the constitution are in marked contrast to the traditional Vietnamese tolerance of autocratic rule and of corruption as a way of life. It makes the president, legislature, and province chiefs responsible to the electorate. It guarantees the rights of political parties and encourages a legal opposition. And it provides for a system of some checks and balances for the executive branch, the legislature, and the independent judiciary, as well as for special agencies to deal with official malfeasance.

For the immediate future, this system of government is

likely to function successfully only with the support of the military establishment.

The outcome of the talks now under way between the Directorate and assembly members may in fact affect the final shape of the constitution. The Directorate has proposed several changes in the draft, including elimination of the legislature's present limited power to bring down the president's cabinet, and of the Constituent Assembly's assumption of legislative authority until the constitutional law-making body is elected.

The assembly may be willing to yield its claim to act as an interim legislature, and some compromise may be reached on the other issues. Otherwise the Directorate may invoke its power--derived from the decree which established the assembly--to revise the constitution. The assembly would have to muster a two-thirds majority to reverse such changes.

Communist Military Tactics

Recent patterns of Communist military activity in South Vietnam bear out previous indications

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that small-unit actions and guerrilla attacks would be intensified while main-force units would continue to force widespread deployment of allied troops. Many of the enemy actions have taken the form of heavy mortar attacks against US forces near the Demilitarized Zone (DMZ), in the central highlands, and in northern Tay Ninh Province, causing increased casualties and damage to equipment and installations.

In recent weeks, more than 1,500 rounds of mortar fire have been directed at the US 175-mm. heavy artillery positions just south of the DMZ. Early this week, the Communists fired more than 300 mortar shells at US positions in the highland provinces of Kontum and Pleiku. These actions serve in part to pin down and slow up allied sweep operations against Communist strongholds.

In addition, Viet Cong forces appear to have intensified their pressure against administrative headquarters and police facilities

of the South Vietnamese Government. Attacks of this type in part reflect heightened interest in disrupting any work associated with the Revolutionary Development (RD) program. Last weekend, for example, Viet Cong forces penetrated district-level installations in three provinces, inflicted casualties, and withdrew. In the past few weeks, there has been a marked step-up in Viet Cong incidents affecting RD teams, with ten such attacks on 8 March alone.

Supply Activity Through Laos

Ground observers in the Laos panhandle report large amounts of supplies still entering Laos from North Vietnam. If the present level of truck traffic through the Mu Gia Pass is maintained throughout the dry season (November-May) the North Vietnamese will have sent an estimated 20,000 tons of supplies into the panhandle during the six-month period. Observed movements for the same period in earlier years

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brought an estimated 17,000 tons of supplies in 1965-66, and 6,000 tons in 1964-65. Furthermore, the North Vietnamese are

probably moving additional supplies into Laos over a new route, number 912.

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VIETNAMESE COMMUNISTS ARRESTED IN THAILAND

The Thai Government, concerned over increased Communist activity among the 35,000 Vietnamese refugees in northern Thailand, has extended its anti-subversive campaign there. The arrest in mid-February of 79 suspected Communists marked the largest step to date in an effort which began last fall and is expected to continue.

The Vietnamese, who are refugees from the 1945-54 Indochina war, live primarily in the larger towns of northeast Thailand and exert considerable economic and political influence in the area. Most of them are sympathetic to the Hanoi regime, and Thai officials estimate that ten percent are hard-core Communists.

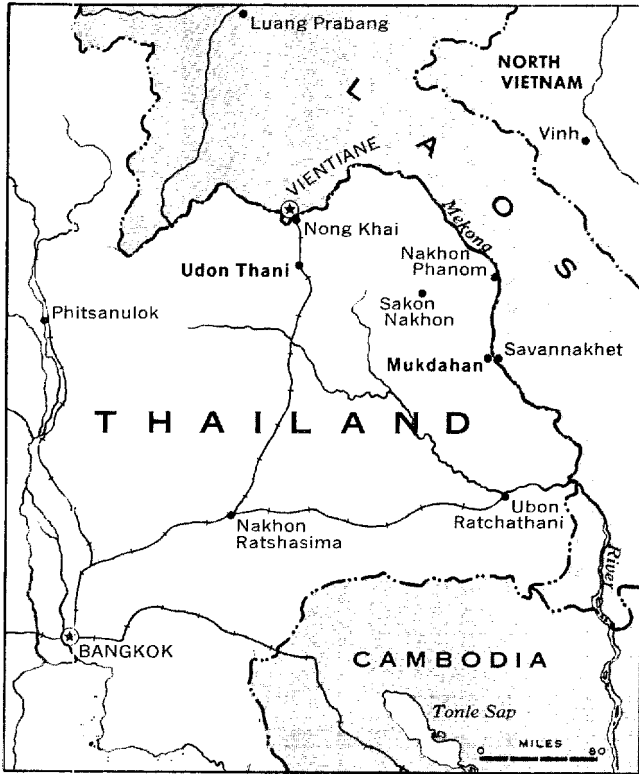
In recent months Bangkok has shown concern over these Vietnamese Communists' increased propaganda and recruiting efforts.

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Bangkok's decision to move against the Vietnamese reflects a growing confidence in its general countersubversion efforts. Last October a special committee was set up to deal with the problem. The committee decided to reregister all Vietnamese refugees and to

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arrest and prosecute all suspected Communists. The February roundup evidently achieved only modest results, however.

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The Communists reacted sharply to the arrests. In the town of Mukdahan, they exploited the accidental killing of a Vietnamese girl during the roundup to mount a demonstration of several hundred persons. Both there and in Udon Thani they organized written protests and mass prayer meetings. Hanoi radio has accused the Thai Government of conducting "groundless terrorism" against the Vietnamese.

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RENEWED CONFLICT WITHIN CHINESE COMMUNIST LEADERSHIP

Open conflict and violence have largely been curbed in China, but new poster attacks and mass rallies denouncing several senior officials reveal that conflict among top leaders in Peking continues. It is possible that the army's role in the administration of civil affairs, particularly the vital area of agriculture, has become the subject of sharp disagreement. Another source of dissension apparently is the difficult problem of establishing the relative roles to be played by military commanders, party workers, and militant "revolutionaries" in the new "three-way alliances" to direct "revolutionary committees" which are to replace the old party structure throughout China.

During the past two weeks Peking has been shifting away from the policy adopted in early February--and associated primarily with Premier Chou En-lai--of easing the pressure on officials who had come under fire. According to a Red Guard newspaper distributed in Peking on 10 March, nine second-level officials were dragged out and humiliated before a rally of 100,000 Red Guards, workers, and troops on 25 February. Foreign newsmen report that since 9 March Peking has again been plastered with posters and wall newspapers denouncing men holding important positions.

The main target has been Vice Premier Tan Chen-lin, the politburo's agricultural specialist. Well-organized demonstrations against Tan and a few other leaders were held in Peking on 11, 14, and 15 March. Tan now has been thrust into the same unredeemable category as former party leaders Liu Shao-chi, Teng Hsiao-ping, and Tao Chu.

Tan and several other vice premiers were defended from Red Guard criticism in early January by Premier Chou and Madame Mao. Chou, who runs the State Council, complained on 1 February to a group of "revolutionary rebels" that the council was "short of hands" because it had only six working vice premiers left, including Tan. According to a current poster, however, Chi Pen-yu, a senior Cultural Revolution Group official now is saying that previous defense of Tan by officials has been withdrawn.

On 15 and 16 March two other vice premiers--Li Fu-chun and Li Hsien-nien--were mildly criticized in posters, but others went up defending them. Many defensive-sounding posters asserting that Chou "follows the revolutionary line laid down by Chairman Mao" were displayed in Peking on 16 March.

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The main charges against Tan are that he "deceived" Chou En-lai and tried to curb the Cultural Revolution in the countryside. This suggests that Tan is a casualty of a high-level dispute in late February over agricultural policy and the army's role in this critical area. On 23 February the army was ordered to supervise spring farmwork where local farm leadership was "weak."

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[REDACTED] large numbers of rural party functionaries are demoralized. A People's Daily editorial on 12 March described what probably is the situation in many areas: it said that some officials, who have been "criticized by the masses because of their mistakes, are afraid of this and that and filled with resentment, maintain a negative attitude, deliberately slow down the work, and even care nothing about the work."

Serious trouble is also apparent in strengthening administration at the provincial level. With the help of the army, disorder and conflict has largely ended, but little headway has been made toward the positive goals of rebuilding effective governing institutions. Peking has been trying to set up the new "revolutionary committees," but thus far only five have been publicized at the provincial level, and none in the past two weeks. They are

clearly provisional organizations and their top membership has not been revealed.

The only areas where the old provincial leaders have been endorsed as "good cadres" are the strategic border regions of Sinkiang and Tibet and Heilungkiang Province in the northeast. The first secretary of the Northeast party bureau has also been praised. Some others doubtless will surface--perhaps in lesser positions--but the great majority of first secretaries have been denounced by Maoist leaders or by authoritative Red Guard newspapers as "reactionary revisionists" or "counter-revolutionary coup plotters," and probably have been brought down.

The failure to announce their successors suggests that leaders in Peking are unable to reach agreement on new appointments. This is indicated by a major Red Flag editorial broadcast on 9 March, which retreated from the conciliatory position taken during February toward old party officials. The editorial, admitting that few satisfactory "three-way alliances" had been set up, complained that militant revolutionaries were not being given a strong leadership role and that too many party officials, including "class enemies," were participating. Red Flag again emphasized the key role of the military in any reorganization.

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CHINA STEPS UP CAMPAIGN AGAINST USSR

After a month of relative quiet the Chinese have resumed their efforts to humiliate Soviet officials in China. It is unclear whether this latest campaign will reach the proportions of anti-Soviet demonstrations last month when the Soviet Embassy in Peking was under a virtual state of siege for more than two weeks. Current tactics suggest that, for the present at least, the Chinese intend to keep the campaign in low key.

On 11 March, China expelled two Soviet Embassy officials in an unprecedented diplomatic affront. Peking alleged that they had insulted and threatened the Chinese employees of the embassy, all of whom had been fired after walking off their jobs during the violent demonstrations in February. After the Soviet staff rebuffed their repeated attempts to return to the embassy, the Chinese staff announced its "collective resignations" on 6 March. This will make day-to-day living and operation of the embassy even more difficult for the Russians. Since then new demonstrations have been staged in the street in front of the Soviet Embassy, although on a much smaller scale than the earlier ones. Peking has also formally protested a recent incident in which Soviet frontier guards allegedly seized copies of Mao's works on a Chinese train en route to Moscow.

Peking's resumption of its anti-Soviet campaign is probably related, at least in part, to Chinese internal developments. Moderation of open, vituperative attacks against Soviet personnel last month generally coincided

with surface appearances of a more restrained internal policy. China's latest anti-Soviet moves coincide with indications of renewed dissension and instability among the top leaders in Peking (see preceding article).

The latest moves are probably also a response to Moscow's increasingly strident campaign against China. The USSR has recently increased the number of Mandarin broadcasts to China which give heavy play to continuing bitter opposition within China to the Cultural Revolution. Soviet broadcasts in Central Asian minority languages sustain the campaign to stir up trouble in Chinese border provinces. The Soviets probably feel that the recent turmoil in China has provided them new opportunities to exert their influence in border areas through subversive activities.

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For their part, the Chinese have remained virtually silent in the face of inflammatory Soviet broadcasts aimed at encouraging opposition to the Mao regime. They have made a few general references to areas along the Soviet border as "antirevisionist outposts."

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INDONESIA FORMALIZES "NEW ORDER"

The "new order" in Indonesia was formalized on 12 March when congress unanimously passed a decree declaring Sukarno "no longer capable" of fulfilling his presidential duties and naming General Suharto acting president. Suharto was installed in his new post the same day.

The compromise decree withdraws all constitutional authority from Sukarno and, by prohibiting his participation in political activity until after the next election, appears to remove any possibility that he can stage a political comeback. To avoid offending Sukarno's supporters, the president was not specifically dismissed, and even the suspension or retention of his title was not made explicit. The decree implies that Sukarno will not be brought to trial as demanded by students and other activists. It requires a judicial "settlement" of Sukarno's past activities but leaves its implementation to Suharto, who has publicly opposed a trial.

Reaction by both pro- and anti-Sukarno elements has been restrained. No violence has been reported from East or Central Java, the areas of Sukarno's principal support. The pro-Sukarno National Party newspaper in Djakarta accepted the decree and called for renewed efforts to ensure national unity. Anti-Sukarno student leaders, although disappointed that the decree avoided blunt language, know that they have achieved their main goal.

Little further change in the composition or practice of government seems likely for the present. Sukarno is said to have no present intention of reshuffling the cabinet, and he apparently plans to retain command of the army, which will continue to determine national policy and to occupy significant posts at all levels of government. Civilians may well resent the growing pervasiveness of military influence, but they have little capability to translate their feelings into significant political action.

Suharto has set economic improvement and the holding of national elections as the government's major targets. Voters are scheduled to choose the parliamentary and congressional membership no later than mid-1968; congress in turn will elect the president and vice president.

The deteriorated economy remains the nation's major problem. A stabilization plan which is being gradually implemented retarded the rate of inflation during the last quarter of 1966, but increased government expenditures in December and the annual rice shortage during the past three months have spiraled prices up again. International Monetary Fund advisers to the Djakarta government believe that the stabilization program should gradually evolve toward a comprehensive development program which would be implemented after the present inflation has been controlled.

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EUROPE

The disarmament talks in Geneva continue to be stalled while the US is attempting to clear up European reservations about the draft nonproliferation treaty.

The treaty also figures in the slight coolness which appears to be afflicting Soviet-French relations. Moscow suspects that the French may be encouraging Bonn to oppose the treaty. The Soviets are also irritated by the French pledge to back the Germans' diplomatic initiatives toward Eastern Europe and by De Gaulle's refusal so far to sign the outer space treaty. For his part De Gaulle may be miffed by signs that Moscow is wooing the British more ardently than it is the French.

The French Government was rudely jolted by the results of the recent elections for the National Assembly, which brought heavy leftist gains at the expense of the Gaullists. [REDACTED]

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RESULTS OF THE FRENCH PARLIAMENTARY ELECTIONS

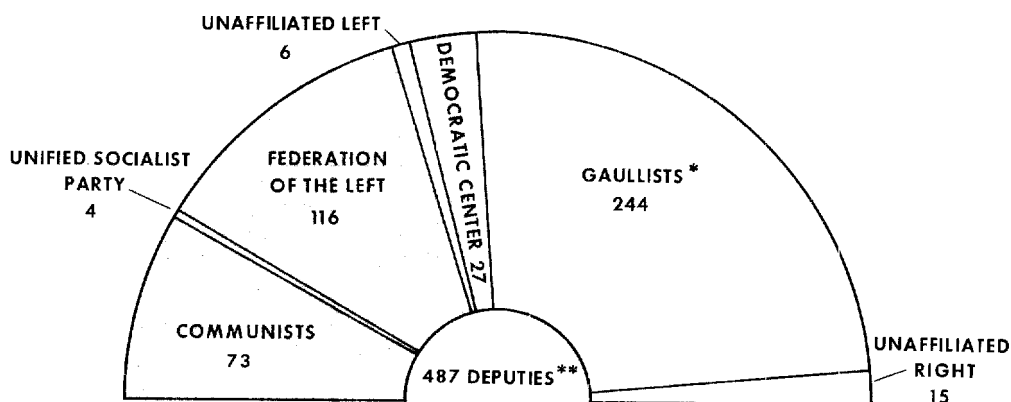
The Gaullist majority in the French National Assembly was reduced to one in the 12 March legislative elections, but this reverse in itself is unlikely to cause any great change in De Gaulle's foreign and domestic policies. The most important contributor to the heavy Gaullist losses was the unexpectedly successful electoral cooperation between the Federation of the Left and the Communist Party (PCF). In addition, the "swing" centrist vote did not fall to the government to the degree expected and some Gaullist voters failed to turn out for the second round.

The government still has enough votes to push through most

of its programs. It will probably pick up votes from unaffiliated conservatives, several of whom owe their seats to Gaullist withdrawals on the first round. However, the government may have to do a little more bargaining in its own camp. Its present majority excludes 40 of the hard-line supporters of the President in the previous assembly. Moreover the Independent Republicans counted among the Gaullist majority now hold a greater share of its seats, and their leader, Valery Giscard d'Estaing, has made it clear that he will not give "unconditional" support to the government. The left-wing Gaullists may also prove troublesome; they feel the government's

PARTY STRENGTHS IN FRENCH NATIONAL ASSEMBLY

ELECTED MARCH 1967



* Includes 190 members of the Union for the New Republic (UNR) and the Democratic Labor Party (UDT), 44 Independent Republicans, and 10 unaffiliated Gaullists.

** Two seats still unaccounted for are in French Polynesia (to be elected later) and French Somaliland (to be elected later if the territory opts to retain its tie with France in its 19 March referendum).

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economic and social programs should be oriented more to the left to beat the PCF and the Federation at their own game.

With almost 200 seats, the left was the main beneficiary in the election. The 75-percent increase in Communist seats, however, was not the result of a net gain in the PCF vote but of a cooperative exchange of votes with the Federation; the stronger left candidate in individual districts received the support of the other party. On the first ballot, the Communists got 22.4 percent of the vote, as compared with 21.8 percent in 1962. On the second ballot, they dropped to a fraction below the 1962 figure.

The PCF over the past several years has gained a measure of respectability which was considerably enhanced by its tactical electoral agreement with the Federation. The lesson that left-wing unity was the key to election successes will not be lost on the Federation and should give the Communists a formidable voice in determining the outlook of the left. The status of the PCF is further enhanced by the fact that a large number of Federation seats were won with PCF votes and because virtually all prominent non-Communist

leaders of the left own their seats to Communist backing.

The tactical unity achieved by the Federation and the PCF for electoral purposes will be hard to preserve in the assembly because the two are still far from agreeing on a common program for action in the parliament. Even if they are successful to some degree, there is small chance that they could effectively challenge the government. On foreign policy, both are close to the Gaullists. On some domestic issues the two might unite against the government but would be unlikely to pick up much support from the center, whose views more closely parallel those of the government. Under the French system, the only way the assembly can oust the government is by passing a motion of censure by a majority vote.

Jean Lecanuet's Democratic Center failed to muster even the 30 seats necessary for recognition as a parliamentary grouping--a prerequisite for committee assignments. Lecanuet is claiming the allegiance of enough unaffiliated deputies to enable him to form his own bloc, but the government will attempt to detach from his camp the deputies who owe their seats to Gaullist support.

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EAST GERMAN FRIENDSHIP TREATIES WITH POLES AND CZECHS

East Germany on 15 March signed a treaty of friendship and mutual assistance with Poland and is scheduled to sign a similar pact with Czechoslovakia on the 17th. These treaties are part of a continuing effort to prevent East Germany's isolation within the Warsaw Pact and to strengthen Eastern European resistance to West German diplomatic initiatives.

After Rumania established diplomatic relations with West Germany without conditions on 31 January, the East Germans and Poles engaged in a series of diplomatic moves designed to obtain Warsaw Pact agreement on how to respond to Bonn's overtures. When the pact's foreign ministers failed to agree at a meeting in early February, Poland, East Germany, and a somewhat hesitant Czechoslovakia devised a scheme--a series of bilateral treaties--intended to strengthen the status quo in central Europe.

Although all other Eastern European nations have such treaties with one another, these are the first that East Germany has concluded with any country other than the Soviet Union.

On 1 March the Poles and Czechs renewed their bilateral alliance, while attacking Bonn and stressing that East Germany is a sovereign state. The treaty of 15 March between Poland and East

Germany reaffirms the permanence of their frontiers, conditions German reunification on a "normalization" of relations between the two Germanys, and specifies that West Berlin is a separate political unit. The Czech - East German treaty probably will contain similar provisions.

East German leader Ulbricht has hinted that he might seek additional bilateral treaties, presumably with Hungary and Bulgaria. The effort to make the facade of Eastern European solidarity on the German question more impressive was certainly the main aim of Polish leader Gomulka's 8 March visit to Budapest. His planned trip to Sofia in April will undoubtedly have the same objective.

These efforts to blunt Bonn's initiatives, however, are not likely to be successful in the long run. The Czechs have not joined Ulbricht and Gomulka in posing conditions for diplomatic ties with West Germany and reportedly intend to continue negotiating with Bonn. West Germany negotiations with Hungary and Bulgaria--the weakest links in bloc solidarity on this issue--are unlikely to be more than delayed by their allies' moves. Even the Poles have been taking sensitive probings of West German intentions in an effort to avoid eventual isolation with the Ulbricht regime. These probings will likely be intensified.

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MIDDLE EAST - AFRICA

French officials now believe that French Somaliland voters will opt to remain with France by a margin of 55-65 percent. Should the vote go against France, De Gaulle threatens to pull out of Somaliland, and Ethiopia might take some military action to prevent a Somali Republic take-over of the territory. Eastern Nigeria has moved perilously closer to seceding from the Federation, [REDACTED]

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In South Asia, Indira Gandhi's new government had to impose direct rule in Rajasthan State when the local Congress and the opposition parties were unable to form a government amid considerable violence there. Congress is hoping to avoid a similar situation in the neighboring state of Uttar Pradesh. Pakistan has been negotiating with France for a wide range of military equipment, including jet aircraft and submarines, and deliveries may have already begun.

In Greece, attention has again focused on the treason trial of officers involved in last year's "Aspida" affair, and on 16 March 15 officers were sentenced to prison terms ranging from 2 to 18 years. The officers intend to appeal. There is still speculation in Athens that a general amnesty might yet be granted. Those who earlier dismissed amnesty as "unthinkable" now see it as a good way to maintain an atmosphere of "normalcy" until the May elections.

The Arab Defense Council, which ended its sessions in Cairo on 14 March, apparently decided to withhold further monetary aid to Jordan, but rejected a proposal to condemn strongly the boycotting states of Jordan, Saudi Arabia, and Tunisia.

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MRS. GANDHI FORMS A NEW INDIAN GOVERNMENT

Indira Gandhi again has been chosen by Congress Party leaders as India's prime minister, after an abortive bid for the job by aging party stalwart Morarji Desai. After failing to gain much support from either the party's bosses or its members of parliament, Desai, a sharp critic of Mrs. Gandhi's last government, withdrew his candidacy on the eve of the 12 March party parliamentary caucus.

Although Mrs. Gandhi's 19-member cabinet contains a number of new faces, the major portfolios of home, defense, external affairs, and planning did not change hands. Her most important change was naming the 71-year-old Desai as deputy prime minister--an office vacant since the death in 1950 of the powerful Sardar Patel. Desai, leader of the conservative wing of the Congress Party, was also given the finance portfolio, which he held in one of Nehru's cabinets.

The new food and agriculture minister is Jagjivan Ram, an almost perennial cabinet fixture who is a leader of the north Indian untouch-

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Several of the lesser portfolios will be held by younger men in their first cabinet posts.

The most influential of these is 41-year-old Minister of Commerce Dinesh Singh, a leftist-oriented confidant of Mrs. Gandhi who held a junior ministerial position in her first government. Two other new ministers are regarded as experts in their assigned fields--transport and shipping, and education.

Rising prices, inflationary pressures, a foreign exchange shortage, and unemployment are only a few of the more critical problems that will require the new government's immediate attention. The food situation, despite substantial assistance from abroad, will remain extremely tight at least until the autumn crop is harvested. In the political sphere, the government will have to deal with several strongly anti-Congress state administrations and an enlarged and emboldened opposition in parliament.

These problems may create tension within the new cabinet in which widely disparate ideological views are represented. Moreover, the strained personal relationship between Mrs. Gandhi and Desai could prove difficult. Radical shifts in established government policies, however, are not expected--at least in the short run. Like its predecessor, the new government will be more concerned with domestic than international affairs, concentrating on economic development.

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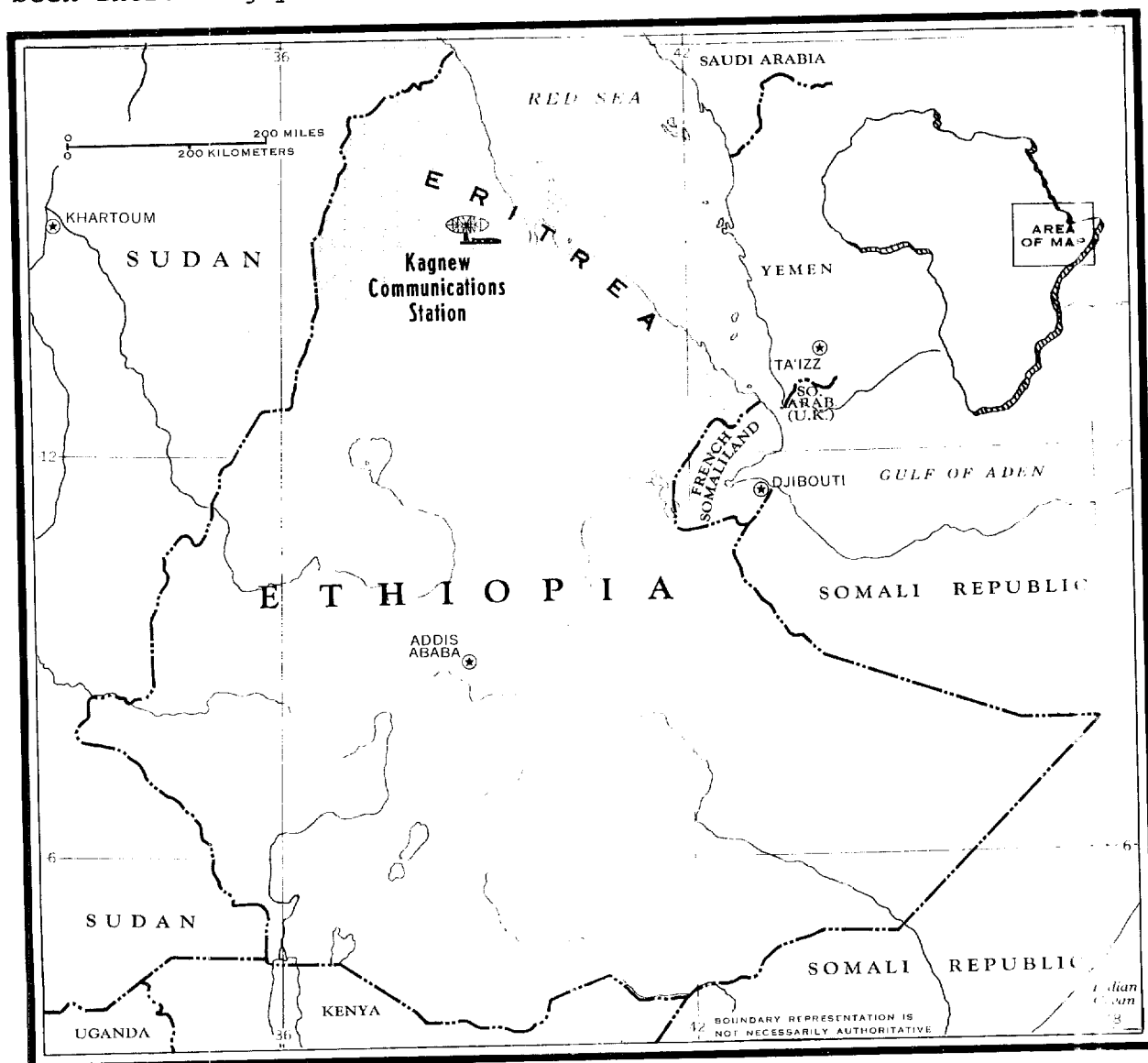
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DISSIDENCE INCREASING IN ETHIOPIA'S ERITREA PROVINCE

Dissidence in the separatist-minded province of Eritrea has become the Ethiopian Government's number one internal security problem, primarily because the Eritrean Liberation Front (ELF), the principal separatist organization, has stepped up its terrorism over the past year. The ELF has been increasingly successful in

hit-and-run raids against Ethiopian military forces, and range freely in large areas of western Eritrea, particularly along the Sudanese border and the Red Sea coast. The ELF also has been gaining sympathy among the Eritrean populace, to whom banditry is an accepted way of life, and



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hostility to the dissident Addis Ababa government is widespread.

The ELF has expressed no clear ideas on how an independent Eritrea would be governed, and it has no single, strong leader, although Idris Mohamed Adum, an exiled former high Eritrean official, is the acknowledged head. Its members are largely Muslims, but it is trying to gain support among Eritrea's Christians--some of whom are already in the ELF high command. Estimates of the number of hard core ELF insurgents range from 600 to a possible 1,500.

The key to ELF success is the support of outside sources, mostly Arab states. Syria, the principal supplier of arms, and Iraq provide training to ELF insurgents who have begun returning to Eritrea in increasing numbers. Saudi Arabia has given financial backing, and Somalia offers what limited support it can. The Communist countries too give covert encouragement [REDACTED]

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Much of the ELF's success can also be attributed to the inept handling of the insurgency problem by the Ethiopian administration and military. Emperor Haile Selassie has generally ignored advice to initiate social and economic reforms which probably would have gone far to soften discontent with his regime. Moreover, in their heavy-handed operations against the ELF, the 6,300 army troops and paramilitary police within Eritrea often deal brutally with the civilian population.

The increasing insurgency could pose problems for Kagnew, the vital US communications station in Asmara. The US may come under increasing pressure to assist Haile Selassie in meeting the ELF threat; he has already asked for helicopters. Any US assistance could provoke ELF retaliation against Kagnew or its personnel by the ELF, which has not shown itself to be anti-American. Since early 1967, ELF leaders have assured a number of US representatives abroad that the insurgent activities are not aimed at the US presence in Eritrea. [REDACTED]

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IRAN'S ECONOMIC RELATIONS WITH COMMUNIST COUNTRIES

Iran's economic relations with the Communist countries are expanding at a modest rate. The importance Moscow attaches to this trend is indicated by the fact that Minister of Foreign Trade Patolichev himself recently

went to Tehran to sign a new \$540-million, five-year trade agreement. This will presumably include the Iranian exports of natural gas scheduled to begin in 1970. Although nothing definite has emerged, the minister's

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party probably also discussed the eventual marketing by the USSR of Iranian offshore Caspian oil--a project now being developed with Soviet assistance but still in the exploratory stage.

There are currently over 400 Soviet engineers and technicians in Iran engaged in various projects. In addition to the Caspian oil survey, the projects include exploration of the Kerman coal fields and related surveys connected with the steel plant and construction of a dam on the Aras River, which forms part of the Iranian-Soviet border. The Soviets have begun building the division roads at the dam site and a bridge connecting Soviet and Iranian territory, and Soviet trucks, bulldozers, and drilling machines needed for construction of the dam itself have arrived.

Bulgaria and Rumania recently extended credits of \$10 million and \$30 million respectively, raising total Communist credits to Iran to over \$400 million. There has as yet been little progress, however, in implementation of Iran's aid agreements with Hungary, Poland, and Czechoslovakia.

Further discussions are expected regarding the possible

formation by the East European countries of a "consumer's union" for marketing of the 20 million tons of oil that will be made available over the next five years to the National Iranian Oil Company by the multinational consortium which produces most of Iran's oil.

Iran, in turn, is negotiating to sell this oil to Eastern Europe under barter agreements. One such agreement already concluded with Rumania is expected to involve sales of one to one and a half million tons of crude over the next two years. Similar agreements with Bulgaria and Czechoslovakia are likely.

All these activities reflect the Shah's desire to exercise independence in foreign policy, and to save foreign exchange through barter agreements. The Soviet and Eastern European credits are provided at lower interest rates than those of Western countries, and may often be repaid in goods rather than currency. However, Communist involvement in the Iranian economy is still small compared with the West's, and the government remains aware of the threat posed by the Soviet Union's long-range ambitions toward Iran.

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ALGERIAN-MOROCCAN RELATIONS DETERIORATE FURTHER

Relations between Algeria and Morocco, which are usually cool and seldom if ever cordial, recently deteriorated still further as both parties waged a sharp propaganda battle and sought to line up international backing for their points of view.

On the heels of a visit to the US, where he was promised an additional \$14 million worth of defensive weapons, Morocco's King Hassan on 28 February proposed that UN Secretary General Thant establish a commission to halt the North African arms race. This proposal served to spotlight again the continuing buildup of Soviet materiel in Algeria, an issue that has created a crisis in Tunisia as well as Morocco.

and attempted to confuse the issue of the buildup of Soviet arms in Algeria by charging that Morocco was raising in the world organization a question--the territorial dispute between Morocco and Algeria--still under consideration by the Organization of African Unity (OAU). On these grounds, Algerian Foreign Minister Bouteflika vainly attempted to have the OAU foreign ministers, meeting last week in Addis Ababa, censure Morocco. Rabat countered with an emphatic denial that its proposals regarding arms bears on its territorial claims.

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Algeria immediately denounced Hassan's UN initiative

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WESTERN HEMISPHERE

Despite recurrent setbacks, a significant number of Latin American Communists and other extremists are proving that they continue to regard insurgency and armed struggle as the most effective means of advancing their aims--an attitude underlined by Fidel Castro's major speech on 13 March.

Renewed insurgency, or indications that preparations for new flare-ups are under way, have been noticeably increasing again in most of the countries where they have occurred most frequently in the past. [REDACTED]

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[REDACTED] The widely publicized guerrilla attacks in Colombia in recent weeks have caused the Lleras government to react with alacrity, but it remains to be seen if the regime's tough measures have any lasting effects.

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Extremists are trying to resurrect guerrilla movements in Peru and Bolivia as well. In Peru the would-be guerrillas face formidable odds in trying to gain sufficient strength to pose a significant threat to the country's highly effective security forces. In Bolivia, a group of about 60 pro-Peking malcontents and assorted adventurers is reportedly [REDACTED]

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[REDACTED] established in the remote easternmost part of the country.

In Guatemala, too, leftist guerrillas evidently are increasing their activity again, and the number of political crimes--murders, kidnappings for ransom, and other violent acts--has risen alarmingly in recent months. The Guatemalan military has been increasing its effectiveness against rural insurgents, but terrorists are still able to move around at will in the capital. [REDACTED]

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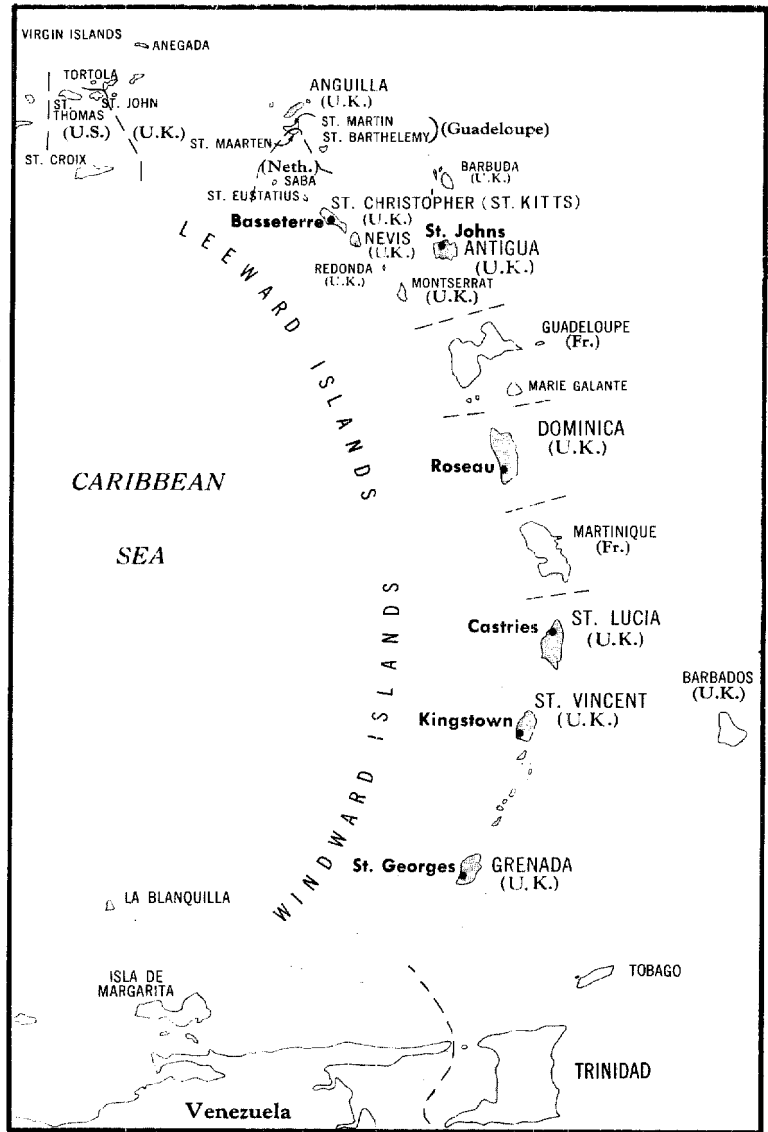
PROBLEMS IN BRITAIN'S WEST INDIES ASSOCIATED STATES

Five of Britain's nine remaining Caribbean colonies have now begun to rule their own domestic affairs, and the problems involved will test the capabilities and initiative of the islands' leaders.

Under the banner of the "West Indies Associated States," Antigua, Dominica, St. Kitts - Nevis - Anguilla, Grenada, and St. Lucia, with a total population of some 400,000, have been given full internal self-government. A sixth, St. Vincent, with a population of 96,000, will become an Associated State by June. Associated status does not imply federation; each island or island group is individually associated with Britain, and has its own constitution and government. The British representative to the Associated States will be based on St. Lucia.

Although defense and foreign affairs remain in British hands, the islands' governments will be entrusted to handle their foreign relations to the maximum extent feasible. Dealings with Caribbean nations, Canada, and the United States will be direct. Each island has the right, subject to constitutional procedures, to declare itself fully independent.

THE WEST INDIES ASSOCIATED STATES



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The UK will continue budgetary support to the Associated States, but the islands require more than Britain is providing. None is economically viable. With the exception of Antigua, where tourism has been expanding, agriculture forms the basis of their economy. A recent survey conducted by US, UK, and Canadian economists showed that tourism offers the best salvation for the islands' economies. The islands, however, are short on airports, roads, harbors, communications, and other utilities needed for tourist development.

The US Embassy in Barbados has voiced concern that a diminishing British presence on the islands will leave them increasingly susceptible to blandishments from radical elements. In a recent conversation with the US chargé, British Governor Phillips on St. Kitts expressed similar fears. He believes that Grenada and St. Vincent are most vulnerable because of incompe-

tent governments, demoralized civil services, and the lack of social services and economic opportunity for youth. Governor Phillips said that the St. Kitts police have evidence that "left-wing subversive elements" are infiltrating St. Kitts and Anguilla from St. Croix in the US Virgin Islands.

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Except in Grenada, there has been no previous evidence of overt Communist subversion on the islands. The problems of unemployment, low wages, and overpopulation, however, will facilitate subversion as the British withdraw.

Two British warships operate in the Caribbean and can be called on if disorders arise. The British also maintain an infantry company of some 200 men in British Honduras.

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COLOMBIA DEALS WITH RENEWED GUERRILLA ACTIVITY

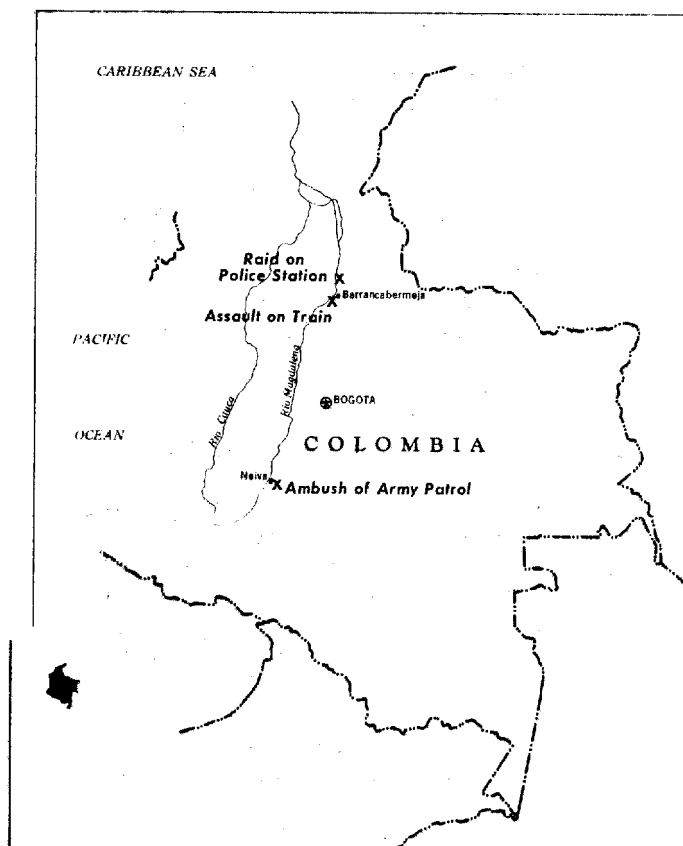
The Colombian Government has reacted to renewed guerrilla attacks with increased military and police vigilance and a roundup of alleged subversives throughout the country.

Three spectacular guerrilla acts in the past three weeks triggered the government's reaction. About 100 men, apparently

members of the Army of National Liberation (ELN), attacked a police post on 27 February. Five policemen were killed. An army patrol was ambushed on 3 March by an unknown number of armed men who were believed, because of their location, to be members of the Revolutionary Armed Forces of Colombia (FARC). Fifteen soldiers were killed--an unusually

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large number in one incident. A group of armed men, variously reported to number between 50 and 80, derailed a train and killed seven of its guards and two civilians on 9 March. The gang, reportedly identified by witnesses as members of the ELN, also stole money from the wrecked train as well as small arms of the police guards.

The ELN is an independent movement which has been supported

by Cuba, and the FARC is loosely associated with the Communist Party of Colombia (PCC).

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While both the ELN and FARC evidently are pursuing similar goals by using the same violent tactics, it remains unclear whether they are actually working together. Neither group has yet established its capability to conduct sustained offensive actions. Furthermore, the degree of Cuban influence on either group is presently unknown.

Alerts have been called with considerable frequency in the past year. Roundups of suspected subversives have also occurred frequently. In this case the speed of the reaction and the large number of arrests indicate special government concern. The effectiveness of the measures is questionable, however. Several of the top Communists arrested were released immediately as a result of political pressure. In addition, it is unlikely that any of those arrested belong to the guerrillas involved in the recent raids.

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